
OFFICE OF THE ALBANY CITY TREASURER

DATE: June 30, 2015

TO: Hon. Kathy M. Sheehan
Members of the Common Council

FROM: Hon. Darius Shahinfar

CC: Ismat Alam

RE: 4th quarter YTD 2014 Performance

The 2014 year-end financial position of the City of Albany meets the overall budgeted prediction. There were variations within some of the budget lines based on changes in both budgeted revenue and expenses. This means that the City has drawn down its savings (fund balance) by about \$10 million as budgeted by the previous administration, leaving the City little margin to adjust to unbudgeted decreases in revenues and increases in costs.

A bright spot was the increase in sales tax receipts which rebounded, ultimately exceeding budgeted revenue projections even after a poor 1st quarter. This indicates that economic activity in Albany County was robust. Additionally, landfill revenue, PILOT revenue and licensing revenue were all up. On the downside, fine revenue was below budget, retiree health insurance costs were dramatically greater than expected, and management savings on personnel and other expenses, which were expected to be approximately \$1.3 million were used for the binding arbitration award of retroactive pay for firefighter salaries which was not budgeted.

Given the absence of dramatic decreases in expenditures and/or increases in revenues, the reliance on the Fund Balance and loan from the retirement system to replace unrealized revenue underscores that the City's finances remain structurally imbalanced. Essentially the City is operating at approximately a \$12-14 million loss year-to-year, a loss that has only been mitigated over the past several years by year-to-year State assistance ("spin-up" and FRB revenue).

If continued, this methodology will essentially render the City without adequate reserves to address unanticipated and/or emergency needs in 2015, and possibly no reserves to utilize in future budgets.

Thus, while our fiscal situation for 2014 is roughly where the previous administration's budget envisioned the City to be overall, major challenges with

our structural imbalance exist in both the short term and long term that must be addressed.

REVENUE (Thousands)

	Dec	Dec		%	Dec	Annual		%
REVENUE	YTD 14	YTD 13	Variance		YTD 14	Budget	Variance	Budget
PROPERTY TAX	55,798	54,889	909	2%	55,798	56,048	(250)	100%
SALES/USE TAX	32,303	30,973	1,330	4%	32,303	31,930	373	101%
PILOTS/19-a	19,475	26,440	(6,965)	-26%	19,475	19,045	430	102%
OTHER LOCAL SOURCES	3,386	3,317	69	2%	3,386	3,690	(304)	92%
LANDFILL	11,798	11,206	592	5%	11,798	11,177	621	106%
OTHER DEPARTMENTS	2,734	2,907	(173)	-6%	2,734	2,792	(58)	98%
INTER GOVERNMENT	250	173	77	45%	250	315	(65)	79%
FINES	4,055	5,074	(1,019)	-20%	4,055	5,129	(1,074)	79%
LICENSES AND PERMITS	2,851	2,193	658	30%	2,851	2,332	519	122%
STATE AID	17,052	18,310	(1,258)	-7%	17,052	20,773	(3,721)	82%
SALE P/COMP/LOSS	349	515	(166)	-32%	349	290	59	120%
MISCELLANEOUS	4,786	4,824	(38)	-1%	4,786	4,542	244	105%
OTHER	3,946	2,223	1,723	78%	3,946	4,365	(419)	90%
DEBT RESERVE	500	1,900	(1,400)	-74%	500	2,470	(1,970)	20%
TOTAL REVENUE	159,283	164,944	(5,661)	-3%	159,283	164,898	(5,615)	97%

The chart above summarizes the City's sources of revenue for the year. Overall, revenue totaled almost \$159.3 million which is lower by 3.0% (\$5.7 million) compared to 2014. Expenses totaled over \$169.0 million and were up 2.0% (\$3.3 million) compared to the previous year. When compared to the same time last year the City's funds have decreased by slightly more than \$9.8 million which was the same amount anticipated in the budget.

1. **Property Tax revenue** increased by \$909,000 as a result of the tax levy increase under the tax cap, but it was under budget by \$250,000 as a result of assessment reductions.
2. **Sales Tax revenue** for year increased 4% from 2013 and totaled \$32.3 million which was \$373,000 higher than budgeted. The increase in economic activity in the later months of 2014 are reflected in this rise, and have now made up for lower than anticipated sales tax collections in 1Q.
3. **PILOTS/19-a revenue** was 26% lower than last year. Most of the decrease was due the scheduled decrease in the 19-a payment from

\$22.5 million to \$15.0 in 2014 which was anticipated in the budget. This decrease is the primary cause of the deficit in 2014.

4. **Other Local Sources revenue** was 2% higher than last year. Most of this increase is the result of an increase in gross receipts tax revenue which is \$23,000 higher than last year at this time.
5. **Landfill revenue** increased 5% (\$592,000) compared to 2013. Tipping fees were up by almost \$647,000 from commercial and municipal customers and coupon sales increased by \$230,000. The landfill saw decreases in contaminated soil revenue which was down by \$174,000 and methane gas sales decreased \$32,000 from last year.
6. **Other Departmental revenue** was 6% lower than last year but only 2% lower than budgeted. Safety inspection fees decreased \$77,000, rental registries decreased almost \$34,000, EMS ambulatory revenue decreased by \$33,000 and golf course revenue decreased by \$44,000.
7. **Inter- Governmental revenue** increased by 45% (\$77,000) from 2013. Most of the increase was related to the sale of salvage vehicles and equipment which provided \$157,000. However, the City's interest earnings decreased \$42,000 due to the sharp decline in interest rates.
8. **Fines and Forfeitures revenue** decreased by 20% from last year. Both parking ticket and parking ticket surcharges combined for a decrease of \$931,000 that is directly proportionate to the reduction in the numbers of tickets issued.
9. **Licenses and Permits revenue** increased 30% (\$658,000) compared to 2013. Safety Inspection permit revenue increased by \$316,000, street opening revenue increased by \$200,000, plumbing permit revenue increased \$76,000 and occupational license revenue increased by \$36,000.
10. **State aid** was 7% lower compared to 2013. Mortgage tax decreased by \$360,000 (signifying a reduction in home sales and refinancings), and the City received \$968,000 less in NYS Homeland Security Grant funds from the previous year. The amounts and types of state grants can vary from year to year.
11. **Sale of Property and Compensation for Loss revenue** was lower by 32%. The absence of real property sales in 2014 compared to last year resulted in a decrease of \$99,000. The balance of the decrease was due to lower self - insurance (workers compensation) reimbursements.

12. **Miscellaneous revenue** decreased 1% (\$38,000) compared to last year primarily as a result of a decrease in delinquent debris and demolition charges of \$11,000 levied onto 2015 property tax bills and reimbursements from ACDA for operating expenses.
13. **Other revenue** increased 78% (\$1.7M) compared to 2013. The City received \$750,000 in service fees from the Albany Water Board compared to \$50,000 last year. The majority of the increase was related to Federal Grants received for the police department. The largest of these grants was for a COPS Technology grant which provided \$1.2M more in revenue for 2014 compared to the previous year. This revenue is offset by an equal amount of expenses.

DISBURSEMENTS

Category/Account	Dec	Dec		%	Annual		%
	YTD 14	YTD 13	Variance		Budget	Variance	Budget
Personal Benefits 7100-7199	75,065,679	75,795,651	(729,972)	-1.0%	75,351,761	(286,082)	100%
Fringe Benefits 7801-7863	48,056,693	46,162,250	1,894,442	4.1%	51,695,707	(3,639,014)	93%
Non-Personal Service 7210-7701	<u>45,462,992</u>	<u>41,886,669</u>	<u>3,576,322</u>	<u>8.5%</u>	<u>45,157,004</u>	<u>305,988</u>	<u>101%</u>
Use of Debt Reserve	500,000	1,900,000	(1,400,000)	-73.7%	2,470,000	(1,970,000)	20%
Total	169,085,364	165,744,571	3,340,793	2.0%	174,674,472	(5,589,108)	97%
Number of weeks in period	52	52	0		52		100%


Total disbursements increased by 2.0% compared to last year to slightly over \$169.1 million however, disbursements ended the year at only 97% of budget (\$5.6 million under budget). Spending increased in Fringe Benefits by \$1.9 million and Non-Personal Service increased by almost \$3.6 million while Personal Benefits decreased by almost \$730,000 compared to 2013. All the categories combined resulted in an increase in total expenses of over \$3.3 million. Again, this met overall budgeted expectations despite variations in individual expense and revenue budget lines.

1. **Salary expense decreased by -1.0%** compared to 2013 and \$286,000 below budget. Salary expenses are level or slightly lower in most of the departments compared to last year.

2. **Benefits Expenses increased by 4.1% for 2014** but ended the year at 93% of budget and \$3.6 million below budget. Most of the City departments showed a decrease in health insurance expense, FICA and workers compensation expense while retiree health insurance expense increased by over \$2.7 million from 2013 and ended the year at \$10.7 million which was \$4.6 million and 175% of budget.
3. **Non-Personal Service spending increased by 8.5% or by almost \$3.6 million compared to last year** and was 101% (\$306,000) over budget. This category includes utilities, contracted services, supplies, materials, small equipment, consulting fees and debt service. The majority of the increase in this category is the result of an increase in debt expense of \$2.3 million this year compared to last year. The increase is the result of only applying \$500,000 of debt reserve to the debt expense for the year, a larger paydown of \$1.8 million on the BANs in 2014 compared to \$525,000 in 2013, and this year was the beginning of the payments on the 2013 bonds. DGS saw increases in snow removal supplies and expense of \$321,000. The City's utilities expenses increased by \$359,000 from last year. Some of the increases in DGS expenses and utilities expense can be attributed to the snow and extreme weather the City had to endure during the first three months of the year. Contracted services decreased by \$800,000 and ended the year at \$4.1 million which was 79% of budget and \$1.1 million under budget. Supplies and materials expense increased by \$1.2 million although most of this increase was related to a COPS Technology grant which was reimbursed to the City.

OVERTIME

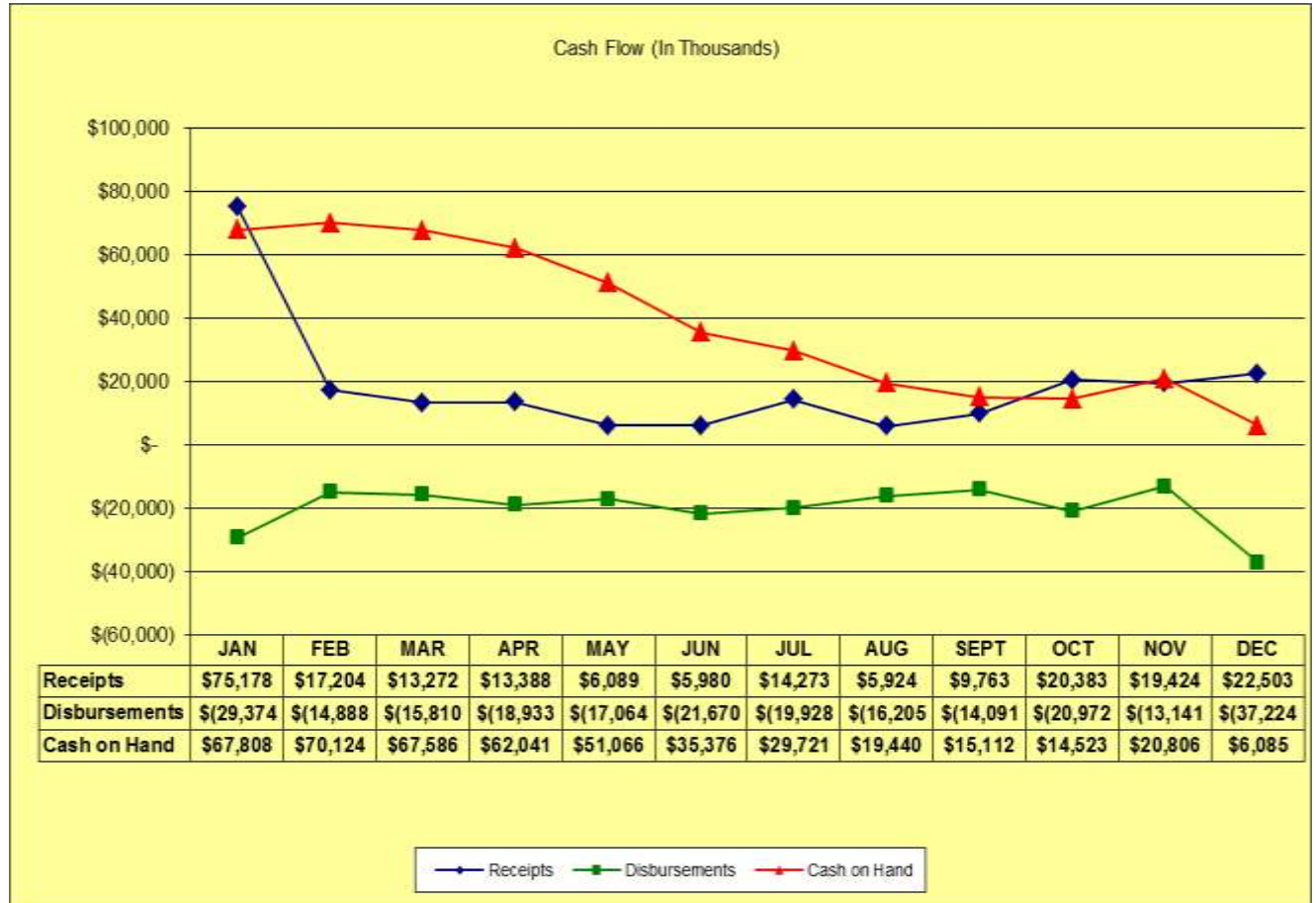
4th QTR
2014 OT
OVERTIME

Department	2014	2013	Change	%	2014	Budget	% of Budget
Police (non-reimbursable)	4,163,588	4,376,035	(212,447)	-5%	4,163,588	3,800,000	110%
Fire	1,906,826	1,639,173	267,653	16%	1,906,826	1,750,000	109%
Communications	177,194	215,231	(38,037)	-18%	177,194	192,000	92%
Parks Maintenance	215,952	269,685	(53,733)	-20%	215,952	217,216	99%
Waste Collection	208,177	211,328	(3,151)	-1%	208,177	222,450	94%
Landfill	167,780	177,478	(9,698)	-5%	167,780	167,000	100%
Central Maint.	75,479	81,920	(6,441)	-8%	75,479	85,000	89%
Street Maintenance	106,484	166,356	(59,872)	-36%	106,484	130,000	82%
Street Cleaning	157,128	150,586	6,542	4%	157,128	163,731	96%
Recreation	5,175	54,011	(48,836)	-90%	5,175	25,000	21%
Traffic Engineering	21,126	25,122	(3,996)	-16%	21,126	20,000	106%
Capital Hills	25,952	26,589	(637)	-2%	25,952	26,000	100%
Central Garage	19,865	39,712	(19,847)	-50%	19,865	28,000	71%
Bleeker Stadium	75	1,966	(1,891)	-96%	75	1,200	6%
Buildings	47,781	45,174	2,607	6%	47,781	18,000	265%
Control of Animals	7,699	8,955	(1,256)	-14%	7,699	9,000	86%
Special Events	10,439	16,873	(6,434)	-38%	10,439	20,000	52%
General Fund	7,316,720	7,506,194	(189,474)	-3%	7,316,720	6,874,597	106%
Police (reimbursable)	1,121,664	1,046,085	75,579	7%	1,121,664	950,000	118%
Traffic Eng. (reimbursable)	446	764	(319)	0%	446	0	100%
Water	643,727	670,158	(26,431)	-4%	643,727	605,000	106%
Totals	9,082,557	9,223,201	(140,645) 	-2%	9,082,557	8,429,597	108%

General Fund overtime was 106% of budget at the end of 2014. Excluding the Water Department (for which the City is reimbursed) and reimbursable Police overtime, overtime expense was -3% (\$189,474) lower than last year.

The Buildings Department had the biggest increase in overtime expense percentage wise at 265% of budget. The Fire Department had the biggest increase dollar wise over last year at \$267,653 and exceeded their budget by 9%. Police overtime was lower by \$212,447 or 5% compared to last year however they exceeded their budget by 10%. The majority of departments have lower overtime expenses this year and came in under budget compared to last year except for those mentioned and the others indicated on the list.

CASH



The City's cash position decreased by \$15.5 million from last year. The decrease is mostly the result of the scheduled reduction of the annual NYS 19a payment from \$22.85 million to \$15.0 million in 2014. Debt service increased in 2014 which reduced cash \$5.5 million. There were some savings in payroll which decreased \$2.4 million and vendor claims which decreased \$3.0 million.

CONCLUSION

Revenue was lower in 2014 by 3% (\$5.7 million) and below budget at 97%. Expenses increased from last year by \$3.3 million but finished below budget at 97% (\$5.6 million). This resulted in the City using \$9.8 million of fund balance which was the same deficit anticipated in the budget. At the time of this report the Fire Fighter's union settled and will receive an increase in salaries which will put more of a strain on the fund balance. Budgeted revenues for red light cameras have not been realized due to unanticipated delays. 2015 will be challenging for the City to do all it can to maintain a positive fund balance.